Northern Pipeline Agency Canada

2010-2011

Departmental Performance Report

Honourable Joe Oliver, P.C., M.P.
Minister of Natural Resources Canada

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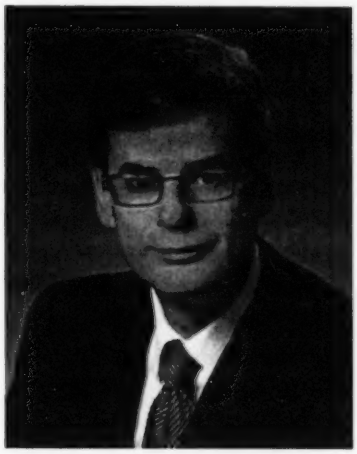
Commissioner's Message



It is my pleasure to present the 2010-11 Departmental Performance Report for the Northern Pipeline Agency (NPA).

The NPA was established by the *Northern Pipeline Act* (the Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline Project and to maximize social and economic benefits from its construction and operation while minimizing any adverse social and environmental effects. While the southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas to the United States, the northern portion (Stage Two) was delayed as a result of unfavourable economic conditions. TransCanada PipeLines Ltd. (TransCanada), which now owns Foothills, is pursuing the development of Stage Two of the pipeline, which in Canada would run from the Yukon-Alaska border to the B.C.-Alberta border near Boundary Lake. TransCanada is developing the technical and commercial aspects of the project and conducting field studies in Yukon and northern B.C.

During 2010-11, the NPA continued to implement the provisions of the Act and the *Canada-United States Agreement on Principles Applicable to a Northern Natural Gas Pipeline*. The NPA worked with other federal departments and agencies, provincial and territorial governments, Aboriginal communities, the U.S. and TransCanada. The NPA saw an increase in its human resources and its legal, policy and technical capacity as project activity progressed.

Serge P. Dupont
Commissioner

Section I: Organizational Overview

Raison d'être

The Northern Pipeline Agency was created by the *Northern Pipeline Act* (the *Act*) in 1978 to carry out Canada's responsibilities in respect of the planning and construction (by Foothills) of the Canadian portion of the Alaska Natural Gas Transportation System (ANGTS). Also referred to as the Alaska Highway Gas Pipeline (AHGP), this project is the subject of the 1977 *Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline* (the *Agreement*).

The first stage of the AHGP (the Pre-build) was constructed in the early 1980s for the initial purpose of transporting gas sourced from Western Canada to the U.S. The current flow capacity of the Pre-build is approximately 3.3 billion cubic feet per day (Bcf/d).

Unfavourable economic conditions from the mid-1980s to the beginning of the last decade led to delays in the completion of the AHGP and a prolonged period of low activity for the NPA. In 2008, however, TransCanada Alaska PipeLines was selected by the State of Alaska under the *Alaska Gasline Inducement Act* (AGIA) to receive up to $500M in State assistance to pursue an Alaska gas pipeline. The large-scale project would transport 4.5-5.9 Bcf/d of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay to markets in the lower 48 states. Project costs have been estimated at 2009 USD $32-41B by TransCanada PipeLines Limited (TransCanada).

Stage Two of the AHGP in Canada would comprise approximately 1,555 km of pipeline from the Yukon-Alaska border near Beaver Creek to the British Columbia-Alberta border near Boundary Lake, as defined by the NEB certificates granted under the *Act*. Additional pipeline construction in Alberta (Stage Three) may also be required.

TransCanada is pursuing Stage Two of the project, carrying out field studies and preparing for major regulatory filings in the Fall of 2012. Accordingly, the NPA is carrying out its responsibilities under the Act by working with federal agencies, provincial and territorial governments, Aboriginal communities, the public, the United States, and TransCanada. It has increased its capacity to carry out the required work.

Responsibilities

Under the *Act*, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests, the interests of the residents, particularly of Aboriginal people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Strategic Outcome and Program Activity Architecture (PAA)

The Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome as per the Whole-of-Government Framework and are captured in the figure below.

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program Activity: Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Organizational Priorities

Performance/Priority Status Legend

Exceeded: More than 100 per cent of the expected level of performance (as evidenced by the indicator and target or planned activities and outputs) for the expected result or priority identified in the corresponding Report on Plans and Priorities (RPP) was achieved during the fiscal year.

Met all: 100 per cent of the expected level of performance (as evidenced by the indicator and target or planned activities and expected outputs) for the expected result or priority identified in the corresponding RPP was achieved during the fiscal year.

Mostly met: 80 to 99 per cent of the expected level of performance (as evidenced by the indicator and target or planned activities and expected outputs) for the expected result or priority identified in the corresponding RPP was achieved during the fiscal year.

Somewhat met: 60 to 79 per cent of the expected level of performance (as evidenced by the indicator and target or planned activities and outputs) for the expected result or priority identified in the corresponding RPP was achieved during the fiscal year.

Not met: Less than 60 per cent of the expected level of performance (as evidenced by the indicator and target or planned activities and outputs) for the expected result or priority identified in the corresponding RPP was achieved during the fiscal year.

Priority	Type[1]	Strategic Outcome and/or Program Activity
Effectively administer the Act and establish the framework to respond to the reactivation of the pipeline project.	Ongoing	Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Status: Met all		
• As per the *Act*, the NPA has worked with federal, provincial and territorial governments, creating an Alaska Pipeline Project Interdepartmental Committee and meeting with the Yukon and B.C. governments. • The NPA met with representatives of the U.S. Office of the Federal Coordinator and the Federal Energy Regulatory Commission. • The NPA has undertaken engagement with Aboriginal communities along the pipeline route in Yukon and begun consultations while responding to, and maintaining a record of, correspondence from Aboriginal communities. This has involved working with TransCanada to oversee activities relating to fieldwork and Aboriginal engagement as well as addressing the upcoming expiry date of the Canada-Foothills Easement Agreement in Yukon.		

Priority	Type	Strategic Outcome and/or Program Activity
Develop a modern environmental and regulatory review framework.	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Status: Mostly met		
• The NPA has worked to develop, review and analyze potential approaches for a modern regulatory review of environmental and socio-economic information. • The NPA has coordinated with federal government departments and agencies in the development of possible approaches for project regulatory review.		

1. "Type" is categorized as follows: **Previously committed to**—committed to in the first or second fiscal year before the subject year of the report; **Ongoing**—committed to at least three fiscal years before the subject year of the report; and **New**—newly committed to in the reporting year of the Departmental Performance Report.

Priority	Type	Strategic Outcome and/or Program Activity
Develop an outreach plan taking into account the interests of all stakeholders with emphasis on communities along the pipeline route.	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Status: Met all		
• A communications plan has been developed in relation to the Project and the NPA's role. • Natural Resources Canada has been engaged through the Service Partnership Agreement, which provides for various corporate and financial services to the NPA, to develop a design concept for the NPA's communications, to provide editorial and publishing services and to create a website. • Information sheets on various aspects of the AHGP have been developed and distributed.		

Priority	Type	Strategic Outcome and/or Program Activity
Develop Aboriginal consultation plans related to the planning and construction of the project	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Status: Met all		
• The NPA is corresponding with Aboriginal communities on a variety of concerns related to the project and its regulation. This has involved preparations for workshops in fall 2011 and coordination with the Alaska Highway Aboriginal Pipeline Coalition (AHAPC). The Canadian Northern Economic Development Agency (CanNor) has provided funding for some AHAPC activities. • The NPA's Aboriginal consultation framework is aligned with the guidelines issued to federal departments by Aboriginal Affairs and Northern Development (AAND) and is being implemented in consultations on the extension of the term of the Canada-Foothills Easement Agreement in Yukon.		

Priority	Type	Strategic Outcome and/or Program Activity
To ensure the NPA has sufficient resources to carry out its responsibilities, including those related to its regulatory responsibilities and intergovernmental and Aboriginal relations.	Ongoing	Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.
Status: Met all		
• The NPA has six full time staff, including one based in the NEB, and one part-time employee in NRCan, all on assignment to the Agency. • The NPA continues to conduct forward corporate planning to assess future resource requirements. • The NPA has entered into inter-agency agreements with DOJ, NEB, NRCan, DFO to meet its resource requirements, as appropriate. • Although not finalized within the 2010-11 fiscal year, the federal 2011 Budget includes resources for NPA consultation on the AHGP.		

Risk Analysis

The NPA is faced with uncertainties associated with planning for a single large-scale international pipeline project, including commercial uncertainties. The NPA identifies and responds to these uncertainties by continuous corporate-level forecasting, tracking, and management of issues that could affect or require a response from the Agency.

The challenge for the Agency is to plan for an efficient and effective review of updated environmental, socio-economic and technical information which takes into account changes since the *Northern Pipeline Act* came into force and the pipeline was certificated in the late 1970s. For example, some of the changes in Yukon include new environmental legislation, devolution of some federal responsibilities, and settlement of most of the Aboriginal claims along the pipeline route. Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the *Agreement* and the *Act*.

Summary of Performance

2010–11 Financial Resources ($1000s)

Planned Spending**	Total Authorities	Actual Spending (unaudited)
1,321.2	1,296.7	1,124.6

** The NPA recovers its costs from Foothills through existing authorities pursuant to section 29 of the Act and determined in accordance with section 24.1 of the *National Energy Board Act* and the *National Energy Board Cost Recovery Regulations*.

2010–11 Human Resources (full-time equivalents—FTEs)

Planned	Actual	Difference
6	6	0

Strategic Outcome: Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project while maximizing social and economic benefits and minimizing adverse social and environmental effects.

Performance Indicators	Targets	2010–11 Performance
The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the *Act* is properly administered.	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated, and readiness to respond to increasing levels of project activity.	The NPA maintained a regular dialogue with key stakeholders and carried out its responsibilities as mandated under the *Act*. It has coordinated with the Yukon government, other federal departments, Aboriginal communities, TransCanada and the U.S. on issues ranging from the expiry date of the Canada-Foothills Easement Agreement to the development of scenarios for a streamlined environmental assessment and regulatory review process.
The Agency continues to address regulatory uncertainty by determining an environmental assessment and	A regulatory framework that accommodates modern	The NPA refined potential approaches for a modern environmental, socio-economic and technical update and review and has worked with other departments and stakeholders on the process. As a "single window"

regulatory review framework within a timeline that corresponds with industry decisions on the project.	environmental practices and keeps pace with Project timelines.	regulator, the NPA has established an interdepartmental committee to help develop an efficient approach that recognizes the roles of relevant departments and agencies.
The Agency refines its plans and state of readiness to respond to and enhance its engagement with other participants that would be involved in the planning and construction of this phase of pipeline development.	Development and implementation of a future-oriented business plan that takes into consideration associated resource requirements.	The NPA acquired further capacity in terms of human resources and has entered into agreements with NRCan, DFO and NEB. The NPA also updated its Service Partnership Agreement with NRCan for various corporate and financial services and has engaged other government departments at a senior level through interdepartmental processes on issues of common concern.
The Agency increases public awareness of its work, its status and its operations with regard to the Project.	Plans and tools that support enhanced communication and outreach.	The NPA has developed communications plans for the Project. It has engaged NRCan to develop a design concept that will be applied to all published material. NRCan is also developing a website based on content provided by the NPA. Finally, the NPA has finalized and distributed published information sheets to various parties.
The Agency effectively plans for and carries out Crown consultation with Aboriginal people.	Responsibilities related to Aboriginal consultations are met.	The NPA has begun consultation on the renewal of the Yukon land easement and associated matters. The NPA is recording all correspondence with Aboriginal communities and responding to concerns in a timely manner.

Program Activity	2009–10 Actual Spending ($1000s)	2010–11[2] ($1000s)				Alignment to Government of Canada Outcome
		Main Estimates	Planned Spending	Total Authorities	Actual Spending (unaudited)	
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.	609.6	1231.2	1231.2	1206.7	1034.6	These activities are aligned to the Strong Economic Growth outcome.*

*Completing the Foothills project will result in a possible $20B investment in pipeline infrastructure in Canada. It will enhance North American natural gas supply, make available increased petro-chemical feedstocks, increase the utilization of existing Canadian pipeline infrastructure, and facilitate the development of new northern Canadian natural gas supplies.

Program Activity	2009–10 Actual Spending ($1000s)	2010–11 ($1000s)			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending (unaudited)
Internal Services	0	90	90	90	90

2. Commencing in the 2009–10 Estimates cycle, the resources for Program Activity: Internal Service is displayed separately from other program activities; they are no longer distributed among the remaining program activities, as was the case in previous Main Estimates. This has affected the comparability of spending and FTE information by program activity between fiscal years.

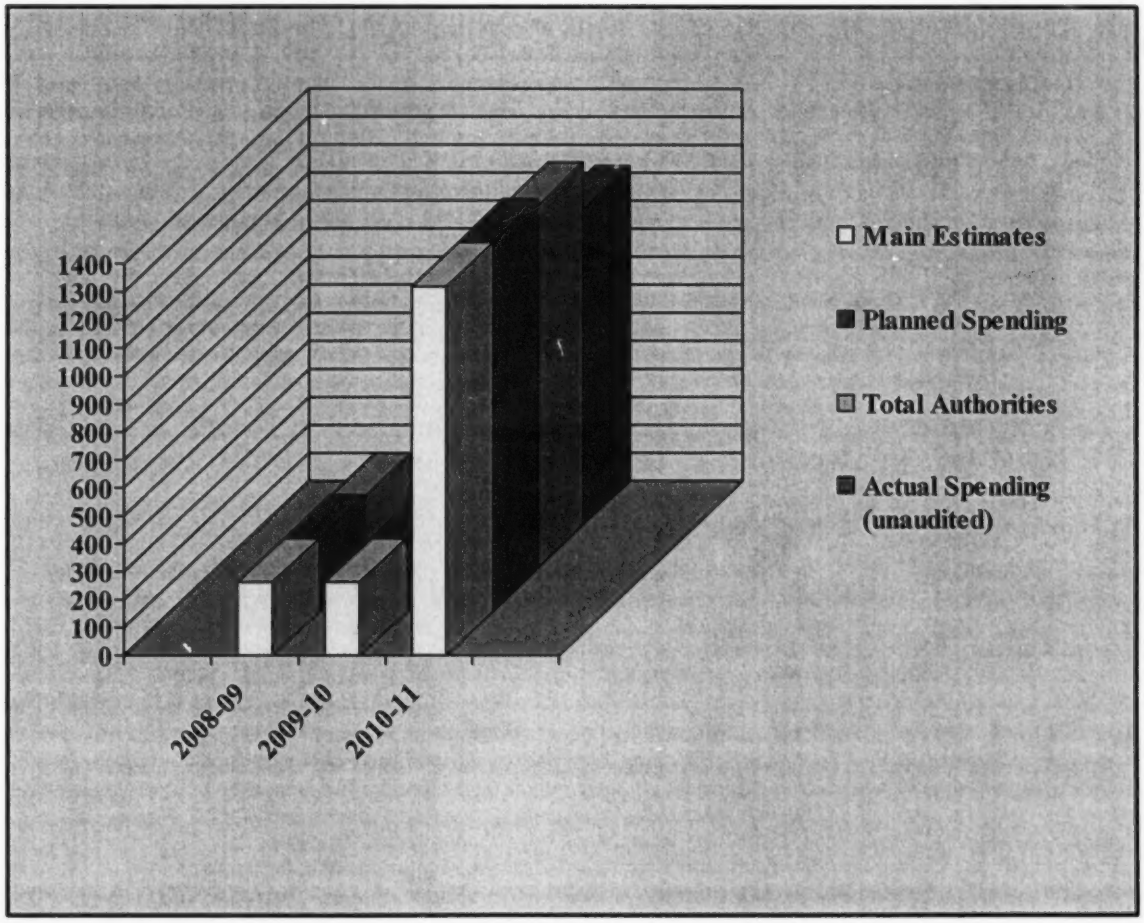
Expenditure Profile

The graph below depicts the Agency's spending trend between 2008-9 and 2010-11.

Canada's Economic Action Plan (EAP)

The Agency's strategic outcome and program activity are aligned with the Government of Canada's Strong Economic Growth outcome. Although Budget 2011 was not finalized until the 2011-12 fiscal year, it provides $4M in funding for consultation over the coming two years as part of its Supporting Job Creation initiative (Investing in a Cleaner Energy Economy).

Departmental Spending Trend ($thousands)



Estimates by Vote

For information on our organizational Votes and/or statutory expenditures, please see the 2010–11 Public Accounts of Canada (Volume II) publication. An electronic version of the Public Accounts is available on the Public Works and Government Services Canada website.[3]

3. See Public Accounts of Canada 2010, http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html.

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome

Facilitate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project while maximizing social and economic benefits and minimizing adverse social and environmental effects.

Program Activity

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.

Program Activity Descriptions

In concert with other federal government departments, the NPA will have a regulatory framework which accommodates modern environmental practices, takes into account the rights of Aboriginal people, and considers the interests of provincial-territorial governments, so as to remain prepared to effectively regulate and facilitate the planning and construction of the Foothills pipeline. The NPA will also lead Crown consultations with Aboriginal peoples.

2010–11 Financial Resources ($1000s)

Planned Spending	Total Authorities	Actual Spending (unaudited)
1,321.2	1,296.7	1,124.6

2010–11 Human Resources (FTEs)

Planned	Actual	Difference
6	6	0

Expected Results	Performance Indicators	Targets	Performance Status
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project. In concert with other federal government departments, the Agency will have a regulatory framework which accommodates modern environmental practices, takes into account the rights of Aboriginal people, and considers the interests of provincial and territorial governments so as to remain prepared to effectively regulate and facilitate the planning and construction of the Foothills pipeline.	The Agency effectively plans for and responds to regulatory filings and makes certain that the Act is properly administered.	Timely responses with consideration to the overall project schedule and readiness to respond to increasing levels of project activity.	**Met all**: The NPA maintained a regular dialogue with key stakeholders and carried out its responsibilities as mandated under the Act. It has coordinated with the Yukon government, other federal departments, Aboriginal communities, TransCanada and the U.S. on issues ranging from the expiry date of the Canada-Foothills Easement Agreement to the development of scenarios for a streamlined environmental assessment and regulatory review process.
	The Agency continues to address regulatory certainty by establishing a framework within a timeframe that corresponds with industry decisions on the project.	A regulatory framework that accommodates modern environmental practices and the interests of territorial and provincial governments, Aboriginal communities, and other residents along the pipeline route.	**Mostly met**. The NPA continued to develop potential approaches for a modern environmental, socio-economic and technical update. As a "single window" regulator, the NPA has established an interdepartmental committee to help develop a streamlined approach that incorporates the roles of relevant departments and agencies.
	Maintains an adequate level of staff to allow the Agency to refine its plans and state of readiness to respond and to enhance its engagements with other participants that would be involved in the planning and construction of this phase of the pipeline.	NPA is in a state of readiness to effectively regulate and facilitate the planning and construction of the Foothills pipeline	**Met all**. The NPA acquired further capacity in terms of human resources and has entered into agreements with NRCan, DFO and NEB. The NPA is also maintaining its Service Partnership Agreement with NRCan for various corporate and financial services and has engaged other government departments on matters of common concern through its interdepartmental committee.

	The Agency increases public awareness of its work, its status and its operations with regard to the Project.	Plans and tools that support enhanced communication and outreach.	**Met all**. The NPA has developed communications plans for the Project as a whole. It has engaged NRCan communications capacity to develop a design concept that will be applied to all published material. NRCan is also developing a website based on content provided by the NPA. Finally, the NPA has finalized and distributed published information sheets to various parties.
	The Agency effectively plans for and carries out Crown consultation with Aboriginal people.	Responsibilities related to Aboriginal consultations are met.	**Met all**. The NPA has begun consultation on the renewal of the Yukon land easement and associated matters. The NPA is recording all correspondence with Aboriginal communities and responding to concerns in a timely manner.

Performance Summary and Analysis of Program Activity

Since the *Act* came into force, in 1978, the external environment relevant to environmental and public considerations has changed. Some of the changes include new environmental legislation, and in Yukon, devolution of some federal responsibilities and the settlement of most Aboriginal land claims along the pipeline route.

The NPA has worked to develop scenarios for a regulatory process which fully meets modern environmental and socio-economic standards and respects the rights of Aboriginal peoples. The process would take into account the rights granted to Foothills under the Act, including the NEB certificates and the Yukon easement. The NPA is working closely with relevant federal departments and agencies, mainly through the Alaska Pipeline Project Interdepartmental Committee (APPIC), and is coordinating with territorial and provincial governments, the U.S. and TransCanada. The NPA is also leading Crown consultations with affected Aboriginal communities in Yukon regarding the expiry date of the Canada-Foothills Easement Agreement and other matters related to the project. It also continues to assess the adequacy of its technical, legal, administrative and policy capacity with respect to carrying out planning and regulatory work as project activity increases.

Lessons Learned

In the 2010-11 fiscal year, most NPA activity concerned planning and preparation for the AHGP as well as coordination with stakeholders. There are no lessons learned to report at this time.

Section III: Supplementary Information

Financial Highlights

Condensed Statement of Financial Position
As at March 31, 2011 ($1000s)

	% Change	2010–11 (unaudited)	2009–10
Total assets	17	1,481.4	1,265.0
Total liabilities	17	1,481.4	1,265.0
Equity of Canada	0	0	0
Total	17	1,481.4	1,265.0

Condensed Statement of Operations
For the year ended March 31, 2011 ($1000s)

	% Change	2010–11 (unaudited)	2009–10
Total expenses	85	1,109.3	599.0
Total revenues	85	1,109.3	599.0
Net cost of operations	67	85.8	51.5

Financial Statements

The Northern Pipeline Agency's audited financial statements were not ready at the time this report was prepared. They are now available under "Departmental Plans and Reports" at http://www.nrcan.gc.ca/com/resoress/pubpub-eng.php.

Section IV: Other Items of Interest

Organizational Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act. The Commissioner is supported by an Assistant Commissioner.

The Agency's contact information is as follows:

Northern Pipeline Agency
412-615 Booth Street
Ottawa, Ontario
K1A 0E4
(613) 995-1150

Additional Information

The Minister has sole responsibility to Parliament for the following Act:

Northern Pipeline Act (R.S.C., 1977-78, c.20, s.1)

The Minister shares responsibilities to Parliament for the following regulations:

National Energy Board Cost Recovery Regulations (SOR/91-7, Canada Gazette Part II, p.15)